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Folio:

How to save money on direct mail . . . page 81

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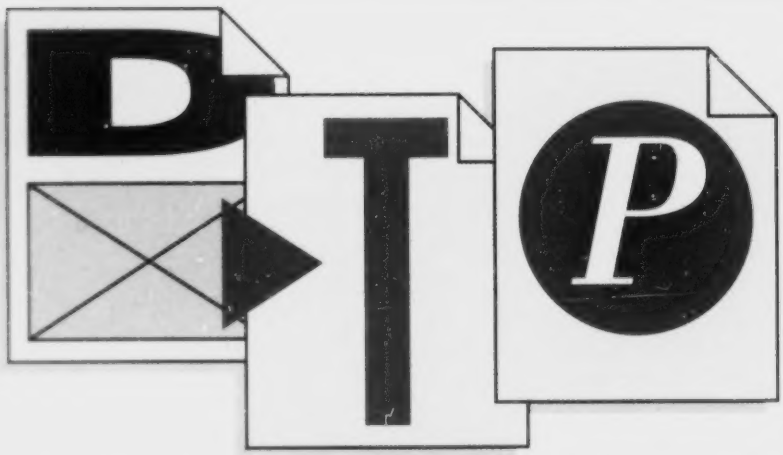

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1992 PRE-PRESS TRENDS

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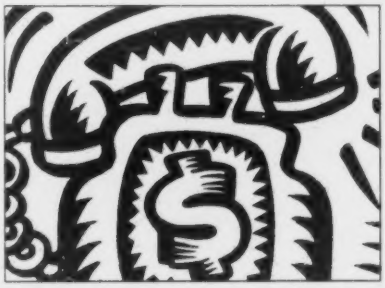
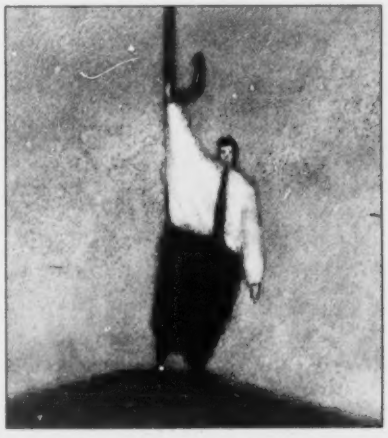


Opportunity calling **77**
A magazine will do more than make money with a 900 service. It's also a way to build reader loyalty and increase readership.



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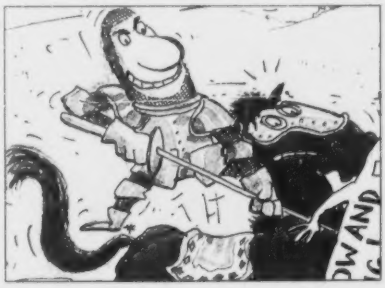

Cutting direct-mail costs **81**
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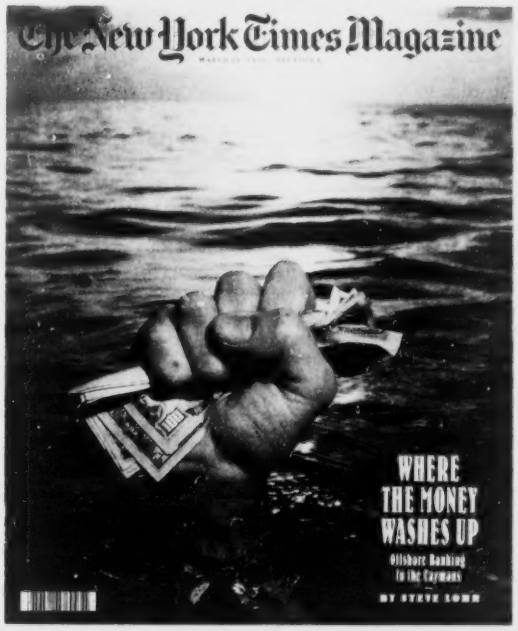
Productive Times



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Source: The New York Times Magazine Reader Study, 1990, The Roper Organization

Vol. 21 No. 9

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Private couriers predict extended period of growth

By Paul Miller

Postmaster General Marvin Runyon's desire to stabilize rates is welcome news to magazine publishers. But if history were to repeat itself, the private magazine delivery enterprises, such as Alternate Postal Delivery (APD) and Publishers Express (PE) could have reason to be concerned about their future.

Alternate delivery first surfaced in the late seventies as a direct reaction to fast-rising U.S. Postal Service rates, but it fizzled out by the early eighties when postal rates stabilized and publishers, concerned most with their bottom lines, went back to the USPS. (*For a detailed discussion, see* FOLIO:, *May 1992, page 65.*)

Although the idea of an imminent turnaround in the constantly churning postal rate picture seems far-fetched to most, some postal insiders are saying relief is in sight.

The Postmaster General made his presence felt shortly after he took office in July, giving executives at USPS headquarters a month to come up with ideas for drastic change, including layoffs or attrition at the executive level of the agency. "Everything is on the table for consideration," he has told top postal officials.

If Runyon can produce some kind of a rate-stabilizing miracle, the growing numbers that APD and PE have been posting for the past four years could taper off the way they did nearly a decade ago.

Although several small couriers

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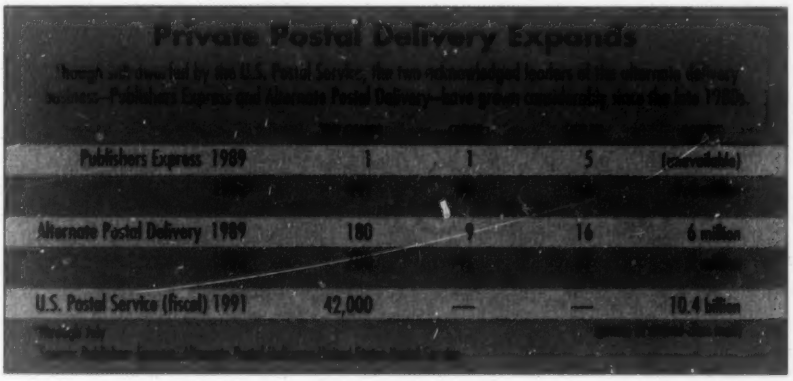
Private Postal Delivery Expands
Publishers Express 1989 1 1 5 (unavailable)
Alternate Postal Delivery 1989 180 9 16 6 million
U.S. Postal Service (fiscal) 1991 42,000 — — 10.4 billion

Private delivery companies will grow even if postal rates stabilize, the firms believe.

Software leverages business-side data

By Liz Horton

Two of the hottest publishing sectors for the nineties—database marketing and ancillary products—call for managers to integrate their computer systems more closely today than at any time previously. And as computer technology advances and costs come down, publishers today have ever-increasing options for effectively managing and leveraging their business-side information, ranging from fulfillment to ad sales to reader service and finances.

This revolution began in 1973, where Darien, Connecticut-based Jim Kobak and David Webber were quietly building the first computer circulation model, a hefty lump of software that required a mainframe computer to operate it.

The Media Services Group, which grew out of that company, has refined its programs so that they now run on a desktop PC, but the company still offers time-share service to publishers who don't want to invest in the hardware themselves.

'The cost of higher-performance computers has come down.'

In the 20 years since, computer systems have expanded far beyond their initial use in magazine publishing—editorial and production operations.

"The cost of buying higher-performance computers has come down," says Media Services Group president Terry Nathan. "On top of that, both Unix and DOS have become very end-user oriented. The flexibility of PC packages and the power and connectivity of Unix made it possible for people not only to afford these sophisticated software packages, but to run them without the level of in-house expertise that used to be required."

The business management software available to publishers today comes in several categories, with multiple options in each to account for size and complexity of publication or company. It includes:

• Ad software covering contact management and sales prospecting; pro-

(CONTINUED ON PAGE 22)

Private couriers predict growth

(CONTINUED FROM PREVIOUS PAGE)

sprang onto the circuit in the seventies, Grand Rapids, Michigan-based APD—then known as United Delivery Systems (UDS)—was considered by most to be the only major player. (PE, jointly backed by several media conglomerates, including Time Warner and R.R. Donnelley, came into existence in 1989.) Competitive rates were essentially all UDS had going for it, and it delivered in only a handful of Midwest regions.

But the private couriers insist things will be different this time—even if postal rates do level off. APD, for instance, says that its primary selling point is that it can offer added-value arrangements—such as ride-along samples of advertisers' products. "Price is not what's going to drive our growth—it never has," says APD chairman Stan Henry. "Samples are becoming a hot way to market."

New York City-based Publishers Express, which offers added-value ride-along programs as well, nevertheless makes price its major attraction, regardless of what becomes of second-class rates. "We can offer mailers a discount," says PE CEO Jim O'Brien. "And if the Postal Service does stabilize its rates, we don't think that will impede our growth. Our added-value options will help us grow too, because publishers want to increase advertising pages through this marketing side of the business."

Publishers continue to react to both pitches. The New York Times Co.'s *McCall's*, for example, which

"Alternate delivery helps build relationships with advertisers and readers," says *McCall's'* Weber.

has built up its circulation with APD from 30,000 of its four million monthly subscriber copies to 150,000 over the past few years, has run several ride-alongs. "Sampling enhances advertisers' messages," says *McCall's* vice president/marketing director Nancy Weber. "And alternate delivery helps build on our relationship with both the advertiser and the reader." Weber says a leveling off of postal rates won't necessarily take the *McCall's* business away from alternate delivery. "It gives us a fairly good cross section of different areas of the country, so we can target regionally, market-by-market or by an entire group," she says.

Several other smaller couriers have sprung up over the past few years, but the popular opinion for now, however, is that they—as well as PE and APD—have a very long way to go before they pose a Federal Express- or United Parcel Service-type challenge to the USPS. ■

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Nothing personal, just business

By Samir Husni

In a recent story in *Publishing News (July 15, 1992, page 26)*, Magazine Publishers of America executive vice president for marketing Jim Guthrie singled out personal finance magazines as an indicator that the ad sales recession was over: These titles, which were the first to reflect the downswing, were now, in his words, "tearing up the pea patch." But they just may be tearing up themselves.

More than 48 new business and finance titles have appeared in the last five years, with 30 being published more than four times a year, according to my figures. What was a field for niche-playing entrepreneurs in the beginning of the period measured has become a battleground for some of the media giants. In that kind of scenario, everyone can get hurt.

Last year Dow Jones and Hearst teamed up to produce *Smart Money*, while Capital Publishing, underwritten by Fidelity Investments, launched *Worth*. Even Time Inc., whose *Money* premiered way back in 1973, cranked up the frequency of its *MoneyGuide*.

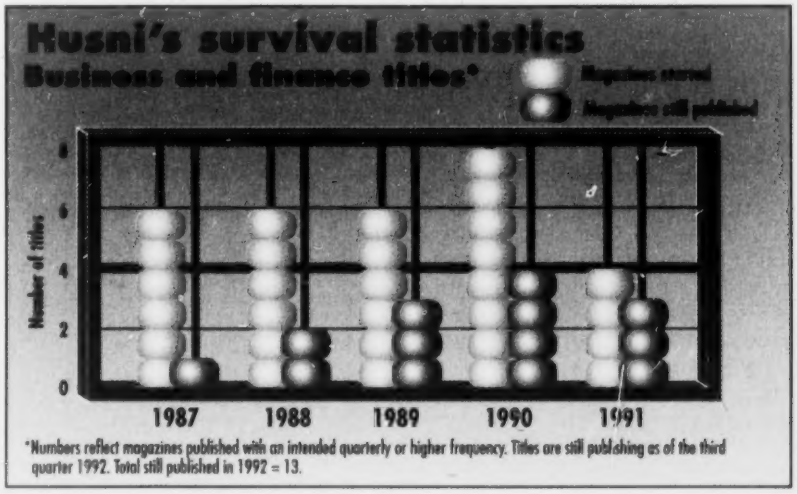
The survival rate for this category is currently around 43 percent, probably good enough for a free-wheeling venture capitalist operating in the eighties, but not for a bottom-line oriented magazine publisher today.

Despite magazine management's new emphasis on circulation revenue, which translates into a willingness to invest in better editorial, the figures do not indicate sustained growth for business and finance magazines: There is the problem not only of market saturation, but of readers discovering other sources for personal-finance information. Online services, for example, had 5.4 million subscribers by the end of 1991, according to SIMBA Information, and at places like Prodigy, with nearly 20 percent of that total, financial-advice columns are among that service's most popular features.

Further competition for the financial reader comes from newspapers that have increased, as well as improved, their edit coverage of the field in the past few years, and from a hoard of targeted and very pricey newsletters that have also emerged.

In defining the raison-d'etre for *Worth* in its premier issue earlier this year, an ebullient Randy Jones, president, implied that "money is easier to spend than earn."

I imagine Jones and his colleagues are finding that aphorism to be sadly true about now. ■



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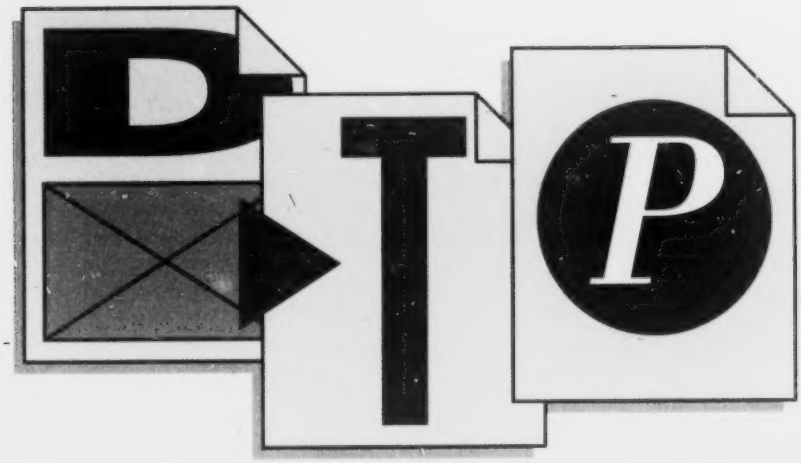


New products and strategy shifts mean a dynamic workplace for production staffs.

1992 Pre-press Trends

Probably no publishing discipline has changed more in the past decade than pre-press. What was once the world of drafting boards, X-Acto knives and rubber cement is now the most technologically advanced part of the publishing process. Any production director from the old school wishing to stay employed has had to undergo a re-education to learn the lingo of hard drives, color monitors and computer software.

As pre-press executives continue to be flooded with Macintosh and PC upgrades and ever-improving software packages, a larger change in the pre-press industry is taking shape. More and more printers are adding digital facilities in an effort to be a publication's one-stop shop, while color separators and pre-press shops struggle to hold on to their customers.

All this activity is happening because production executives have a new option—the ability to produce four-color proofs and even separations in-house. This choice, which was unthinkable five years ago, is now possible for more publishers because the costs of scanners, laser printers and output devices have been steadily dropping as digital color quality has improved. The software packages that produce digital color scans, such as Adobe Photoshop and Fractal's ColorStudio, have also been upgraded.

Suppliers are adjusting to these changes. "I predict that in the next three to five years the only thing publishers won't bring in-house are the presses," says Mary Lee Schneider, desktop publishing product manager at R.R. Donnelley & Sons Co., New York City. The creators will want ultimate control of the product, she explains. And they will most likely gain this control with off-the-shelf products that can be enhanced to fit individual needs.

The constant product introductions and strategy shifts have created a dynamic workplace for the average production executive. Folio:'s annual pre-press survey asked production executives how much of the new technology they are using, and how they are handling their pre-press needs.

According to respondents, about 82 percent of magazines are now using some form of desktop or electronic publishing, and about half of those magazines that do not yet have systems plan to buy one during the next 12 months. The average overall investment in this technology has been $140,000 for the group surveyed.

What have production executives gained? More than one-third say the digital revolution has made their jobs easier and more efficient. Almost one-forth say DTP has yielded more internal control, and 15 percent say their jobs are more diversified and enjoyable. Almost the same percentage of respondents say quality has also improved. However, at least 16 percent say desktop and digital technology have made their jobs more complicated.

"Technical advances have made my job tougher," says Joe Mossa, vice president of production for NYT Sports/Leisure Magazines, made up of *Golf Digest*, *Tennis* and other titles. "If you don't have any idea what is going on in

By Jean Marie Angelo

Methodology

Raskind Research Associates, Inc., Westport, Connecticut, supervised telephone research for Folio: from June 15 to 19, 1992. A total of 219 production executives throughout the United States were contacted on a random, nth-name basis to yield 102 completed questionnaires. One-third of the sample, or 35 executives, work on magazines with circulations of 100,000 or more. The remainder work on magazines with smaller circulations. Overall, 59 respondents work on trade magazines, 43 work on consumer publications. Each respondent was asked for data pertaining to the magazine that is his or her primary responsibility. Executives responsible for more than one title based answers on the magazine with the largest pressrun.

CHART 1

What percentage of magazines are being produced on a desktop or electronic publishing system?

Number of respondents: total, 102; less than 100,000 circ., 67; more than 100,000, 35

	Total respondents	Less than 100,000 circulation	More than 100,000 circulation
With	82.4%	80.6%	85.7%
Without	17.6%	19.4%	14.3%

Companies large and small have embraced digital technology. Magazines with circulations greater than 100,000 have invested slightly more.

CHART 2

What are the most popular platforms?

Number of respondents: 84

An open Macintosh architecture is most common, especially among respondents working on smaller-circulation titles. About 70 percent of smaller-circulation titles use a Mac system, while only 43 percent of larger magazines do so. The second most common system is made up of PCs and Macs. Among the totally proprietary systems listed, Bestinfo's Wave 4 received several mentions.

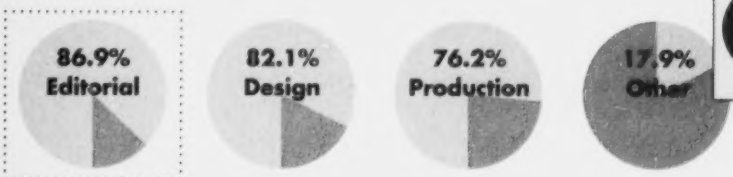
	Percentage of respondents*
Macintosh	60.7%
PC	14.3
Mac and PC	26.2
Totally proprietary	3.6
Other	7.1

*Column adds up to more than 100 percent because some respondents gave multiple answers. Several use one type of system for editorial and another for design. Others were in the process of making a conversion, but using both systems at once at the time the survey was conducted.

CHART 3

What departments are using DTP or electronic systems?

Number of respondents: 84



Editors are the group most likely to be working on computers.

the computer field, you are dead."

Our statistics reveal that the majority of production executives are recent converts to the digital revolution. Although 17 percent of respondents purchased some type of DTP equipment during 1984 and 1985, the majority did not buy a system until 1990. A full 42.8 percent bought their first systems during the past three years.

But being relative newcomers to DTP does not mean these respondents resist innovation. A full 70 percent of all respondents have already upgraded their hardware or software since purchasing, and about one-third have upgraded twice. About 33 percent of those who have upgraded have purchased more hardware. Half of these respondents added more storage. About 25 percent bought faster hardware, such as Apple's new Quadra computer. Other hardware purchases include scanners, networks, color monitors, accelerator boards, laser printers and CD-ROM players. The overall average spent on the most recent upgrade was $82,900.

The impact on staff

DTP is not having a dramatic impact on staff size. Of the 82.4 percent who have bought some type of DTP system, most, 64.2 percent, have maintained staff size. Only 16.7 percent reported increasing staff, while 19.0 percent cut staff in the wake of technological innovations.

What is changing are the types of jobs people are doing. About 37 percent of this year's respondents who have in-house systems have created new job functions to handle the technology. Slightly more than 14 percent created a systems operator position; about 7 percent now have a pre-press director or manager.

"We built an infrastructure so that artists don't have to become technicians," explains David Hall, director of pre-press for Condé Nast Publications, New York City. "As much as the manufacturer would love you to believe that you take the computer out of the box and are instantly productive, it is not so. It takes people to support the applications and train the staff."

About 56 percent of survey respondents kept the pre-press portion of their budgets the same for 1992. Almost 14 percent increased spending, while 28.4 percent cut the budget. Those spending more on pre-press added 20 percent to the pre-press portion of the

ELIOT BERGMAN

CHART 3A

Hardware and software used by editors

Number of respondents: 84

Macintoshes are gaining ground with editors. While it has long been assumed that PCs were dominant in editorial departments, just as many survey respondents are using Macs as using PCs. Last year, PCs were the editorial hardware of choice for 58.2 percent of respondents. Of those using other hardware, the Atex system is mentioned most often. For the second year running, Microsoft Word is the most popular software.

Primary hardware

	Percentage of respondents
PCs	40.5%
Macintoshes	40.5
Other	17.9
Don't know/no answer	1.2

Primary software

	Percentage of respondents
Microsoft Word	29.8%
WordPerfect	20.2
XyWrite	17.9
Other	25.0*
Don't know/no answer	7.1

*The "other" category reflects various software not necessarily used exclusively for word processing.

CHART 3B

Hardware and software for design and production

Number of respondents: 83

Primary hardware

	Percentage of respondents
Macintoshes	83.1%
PCs	13.3
Other	2.4
Don't know/no answer	1.2

Primary software*

	Percentage of respondents
QuarkXPress	69.0%
Aldus Pagemaker	26.2
Other	26.2

*Column adds up to more than 100 percent because art directors listed more than one software package for primary use. Others mentioned were Adobe Photoshop, Adobe Illustrator and Aldus Freehand.

The Mac reigns supreme in the art department. Approximately 80 percent of respondents use it to lay out pages, up from last year's 70 percent. Windows is Microsoft's graphical interface software for the PC. QuarkXPress is the most popular design software to date. Xerox's Ventura Publisher received several mentions in the "other" category.

Chart 4

How are DTP and electronic systems being used?

Number of respondents: 84

	Percentage of respondents
Doing page layouts	97.6%
Creating type	83.3
Creating color tints	69.0
Scanning halftones	63.1
Scanning low-resolution color separations	48.8
Running four-color laser proofs	20.2
Running four-color digital proofs	15.5
Scanning high-resolution color separations	13.1
Running final four-color film	9.5
Proofing final four-color film	17.9
Other	4.8

As expected, the majority of respondents are using their systems to cover the basics: type and page design. However, more than 60 percent are scanning halftones and specing color tints on their digital systems. Some are doing their own color separations. The survey did not ask respondents if they were doing all of their color work in-house. It would appear that many are using a mix of in-house color and vendor-supplied color work, since sources indicate that quality and training issues still plague those using DTP to make color separations. Interestingly, more of the smaller-circulation titles—14.8 percent—are scanning some of their own high-resolution four-color digital separations. Only 10.0 percent of the larger-circulation magazines are doing so.

CHART 5

How much have companies spent on DTP?

Number of respondents: 56

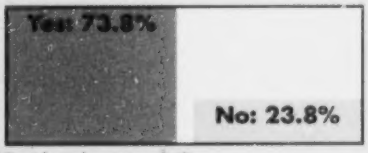
	Percentage of respondents
Up to $20,000	21.4%
$20,001-$40,000	23.2
$40,001-$75,000	21.4
$75,001-$400,000	21.4
$400,001-$1,000,000	8.9
More than $1,000,000	3.6

The average expenditure for the group overall is $140,000. Smaller-circulation titles, however, spent less—an average of $129,000. Larger titles report an average of $167,000.

CHART 6

Have you achieved cost savings as a result of DTP?

Number of respondents: 84



*Don't know/no answer: 2.4%

A resounding majority say the investment in hardware and software has been worth it. About 28 percent of those who have systems claim to be saving up to $500 per issue. Another 12.5 percent save between $501 and $1,000. About 15 percent save between $1,001 and $2,000, and a full 20 percent report saving between $2,001 and $5,000. The median cost savings for all respondents is $1,667 per issue. Last year the majority reported saving between $1,001 to $2,500.

CHART 8

The options for handling pre-press

Number of respondents: 102

Printer or prep house runs all repro, proofs, film	44.1%
Run repro and laser proofs in-house, but have printer or prep house run final film	28.4
Run repro in-house, but printer or prep house runs proofs and final film	16.7
Run all proofs and final film in-house	6.9
Use another method	3.9

Most respondents are relying on outside vendors to run repro, proofs and film. Almost 30 percent, however, are running their own repro and laser proofs in-house.

CHART 7A

How do production departments handle four-color?

Printer or prep house manually strips in all color tints and four-color	52.0%
Spec all color tints on an electronic or desktop system, but printer or prep house manually strips in four-color	28.4
Spec own tints, but printer or prep house creates low and high-resolution four-color scans	10.8
Spec tints and scan all four-color in-house.	6.9
Use another option	2.0

Slightly more than half the production directors are using an outside vendor to manually strip in four-color. However, the rest are exploring other DTP alternatives. Almost 30 percent spec their color tints on a DTP system.

ART 7

How do magazines obtain four-color seps?

Number of respondents: 102

Local service bureau	54.9%
Printer's pre-press facility	17.6
National service bureau	14.7
Foreign bureaus	5.9
In-house	4.9
Other	2.0

The local separator is still the first choice for color among respondents. Note, however, that about 18 percent are buying separations from their printers, and this percentage may grow as more printers add digital pre-press facilities.

budget. Spending priorities are equipment upgrades and more four-color. Those who have cut the pre-press portion of their production budgets did so by 10 percent. They plan to save money on improved color separation and pre-press procedures.

Where will it stop? Nobody knows

Whether they love or hate the digital revolution, survey respondents believe it is destined to go forward at the same dizzying speed that it moved during the second half of the last decade.

When asked to predict where digital pre-press will be in five years, 60 percent of respondents say they expect to be sending digital files directly to their printers. Those who manage larger-circulation magazines are especially keen on this idea. Another 20 percent envision their own staffs producing all four-color in-house on software that can produce digital separations, thus eliminating the need for some outside vendors. About 4 percent of respondents predict that stripping functions will be totally eliminated, and 3 percent expect to receive copy-ready, digital ads.

Some magazines are already moving in these directions. At Ziff-Davis Publishing Company, New York City, *MacWeek* is doing its own color separations, according to Lloyd Shultz, the pre-press director. By 1995, he expects all Ziff's high-resolution files to be telecommunicated directly to the printer.

Southam Business Communications Inc., USA., Indianapolis, plans to do all its own color-separation work by October, says Dallas Nauert, director of production and printing: "We are moving toward total in-house pre-press, and four-color will be the largest cost savings." The company currently produces 100 four-color pages per month for 20 trade magazines.

Others are not as eager to bring color work in-house. "We would like to leave the job of doing color separations to the pros," says Richard Sasso, vice president of production and distribution for *Scientific American*, New York City. "We want to work with words and pictures on timely basis." But he is encouraging his printer to take on more digital four-color work. And, he adds, "When you consider where we've been, it is amazing what has taken place in 12 years. It is hard to imagine what can be achieved, but I know we'll be doing more of it on our desktops." ■